

**Supplemental Reporting Document
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December 2008 Investment Committee Meeting
(October 2008 Reporting Period)**

Quarterly and Annual Reports

- Corporate Governance Co-Investment Program Performance Review
- Securities Lending Earnings
- Supplemental Income Plans
- Internally Managed Domestic Equity Index Fund (No items to Report)



**CalPERS
Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

December 15, 2008

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Corporate Governance Quarterly Co-Investment Program Performance Review
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Executive Summary

This agenda item addresses the performance of the Corporate Governance Co-Investment Program (the Program). The Program manages \$682 million of assets as of September 30, 2008. The objectives of the Program are:

- Produce a positive alpha through the generation of superior investment returns with co-investment opportunities.
- Identify new co-investment opportunities to take advantage of innovative and sustainable investment strategies.

The portfolio managed within the Program tends to be very concentrated with few holdings, and has a very deep “value” style bias. The portfolio positions taken are limited to those situations where the external partners believe an engagement process can affect positive investment returns.

Performance

There are six positions in the Corporate Governance Co-Investment Program’s portfolio. The long-term performance results relative to the benchmark are excellent as shown by Attachment 1 where the 1-year and since inception numbers demonstrate positive value added of 4.05% and 10.28% respectively.

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

The costs associated with this item are minimal as they are already absorbed by other ongoing CalPERS investment programs.

Celina Lu
Investment Officer
Corporate Governance

Aeisha Mastagni
Investment Officer
Corporate Governance

Mike Riffle
Portfolio Manager
Corporate Governance

Eric Baggesen
Senior Investment Officer
Global Equity

Anne Stausboll
Interim Chief Investment Officer

Attachment 1

Corporate Governance Co-Investment Program Quarterly Performance Detail For the Period Ending September 30, 2008										
FUND NAME	Number of Positions	Ending Market Value (\$)	Capital Contributed	Capital Distributed	QTR (%)	FYTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	Since Inception (%)
GOVERNANCE FOR OWNERS CO-INVESTMENT	2	186,353,748	99,416,924		-23.68	-23.68	-47.91			-40.49
FTSE ALL WORLD EUROPE					-21.41	-21.41	-30.31			-24.19
KNIGHT VINKE CO-INVESTMENT	1	140,352,367			-26.87	-26.87	-24.82			8.17
FTSE ALL WORLD EUROPE					-21.41	-21.41	-30.31			-1.05
NEW MOUNTAIN CO-INVESTMENT	1	110,349,900			-25.26	-25.26	-10.53			6.21
S&P 500 INDEX					-8.37	-8.37	-21.98			-6.47
RELATIONAL CO-INVESTMENT	2	245,413,766		3,610,564	8.50	8.50	-8.27	5.76	16.79	19.19
CALPERS CUSTOM INTERNAL RELATIONAL (BENCHMARK)					-8.37	-8.37	-21.97	0.09	5.47	7.34
TOTAL CORPORATE GOVERNANCE CO-INVESTMENT	6	682,469,781	99,416,924	3,610,564	-15.04	-15.04	-22.61	2.04	14.31	17.00
CALPERS CORPORATE GOVERNANCE INTERNAL (BENCHMARK)¹					-15.29	-15.29	-26.66	-1.05	4.74	6.72
Excess					0.25	0.25	4.05	3.09	9.57	10.28

State Street methodology is CFA Institute compliant.

All figures are net of all fees for periods ending September 30, 2008.

Inception dates for each manager are based on the initial investment.

¹The benchmark for the Program is the portfolio market value weighted total return for the benchmark for each external partner with whom an actual co-investment has been made.



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(916) 795-3400; FAX (916) 795-3363

December 15, 2008

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Securities Lending Earnings
(Quarter Ended September 30, 2008)
- II. PROGRAM:** Securities Lending
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Earnings for the quarter ended September 30, 2008, are presented to the Investment Committee for information.

	Average Lendable Assets (\$000)	Average % on Loan	Earnings (Annualized)	Income to CalPERS (\$000)
Asset Class Earnings				
Global Equities	\$82,926,597	30%	18 bp	\$34,878
Global Fixed Income	\$25,636,330	43%	8 bp	\$4,201
Totals	\$108,562,927			\$39,079
Unrealized loss on internal collateral reinvestment				(\$229,961) *
Total Program Earnings including unrealized loss				(\$190,882)

*Unrealized losses resulted from CalPERS use of mark-to-market accounting on the valuation of the internal cash pool, which is not market convention on collateral reinvestment pools.

Policy Violations:

eSecLending violated the policy during the third quarter of the calendar year when two positions in the external cash reinvestment portfolio were downgraded:

- Credit Card ABS of Washington Mutual violated the policy requirement of a minimum Asset Backed Security rating of Aaa/AAA/AAA when it was downgraded to A1 / AA by Moody's and S&P;
- Corporate Floating Rate Notes of AIG violated the policy requirement of a minimum Floating and Variable Rate Security rating of Aa2/AA/AA when it was downgraded to A1 / A- by Moody's and S&P.

Staff has reviewed the Washington Mutual and AIG holdings and concluded that holding to maturity would maximize the value of both positions.

Additionally, eSecLending violated the repurchase counterparty diversification requirement on two separate occasions. In both instances, market volatility combined with a lack of supply from alternative high quality counterparties resulted in eSecLending exceeding the 25% diversification requirement for holdings of repurchase agreements. Both violations were cured within the reporting period.

Carry Over Violations:

Two Auto ABS securities and three Corporate Notes purchased and held externally violated the policy requirement when they were downgraded by Moody's and S&P. Staff is working with the manager to maximize value on these holdings and will update the Board accordingly.

V. STRATEGIC PLAN:

This program contributes to the achievement of Goal VIII of the Strategic Plan by providing low risk incremental returns to the Fund.

VI. RESULTS/COSTS:

The securities lending program generated \$39 million of revenue for the quarter ended September 30, 2008, which is offset by an unrealized loss of \$(230) million. Total program earnings including the unrealized loss were \$(191) million. The average market value of securities on loan for the quarter was \$36 billion.

Mike Johnson
Investment Officer

Daniel Kiefer
Portfolio Manager

Arnold B. Phillips
Senior Portfolio Manager

Curtis D. Ishii
Senior Investment Officer

Anne Stausboll
Interim Chief Investment Officer



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SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Quarterly Statistics
- II. PROGRAM:** Supplemental Income Plans Division
- III. RECOMMENDATION:** Information only

IV. ANALYSIS:

CalPERS 457 Plan - During the 3rd quarter ending September 30, 2008, the CalPERS 457 Plan experienced a \$32.0 million or 4.5% net decrease in assets for a total of \$679.8 million. During the same quarter, participant enrollment increased from 27,381 to 27,827 for a net increase of 446 participants; and, an increase of 11 new agency adoptions for a total of 665 contracting agencies.

State Peace Officers' and Firefighters' Defined Contribution Plan (POFF) - For the 3rd quarter ending September 30, 2008 the POFF Plan assets decreased 3.0% from \$347.8 million to \$337.5 million. The number of participants increased by 580 for a total of 41,050.

Supplemental Contributions Plan (SCP) - The SCP assets decreased 9.0% from \$21.1 million to \$19.2 million during 3rd quarter ending September 30, 2008. The number of participants decreased by 0.7% from 732 to 727.

V. STRATEGIC PLAN:

This item supports Goal V, by providing sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.

VI. RESULTS/COSTS:

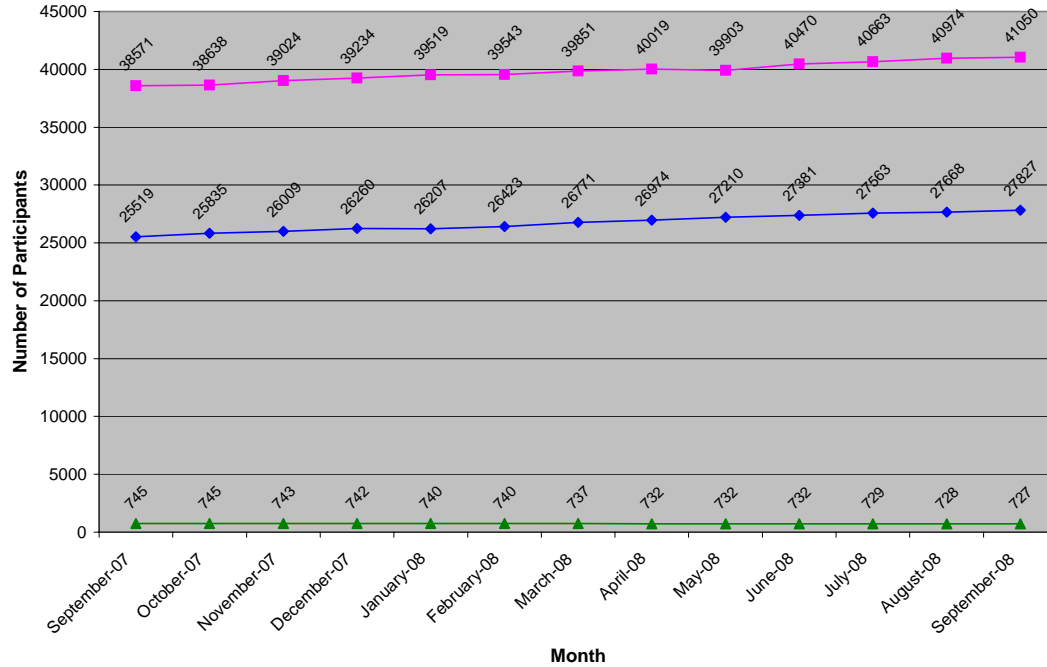
Attachment 1 and 2 summarizes the activities for the Supplemental Income Plans from September 30, 2007 through September 30, 2008.

Geraldine Jimenez, CFA
Division Chief
Supplemental Income Plans

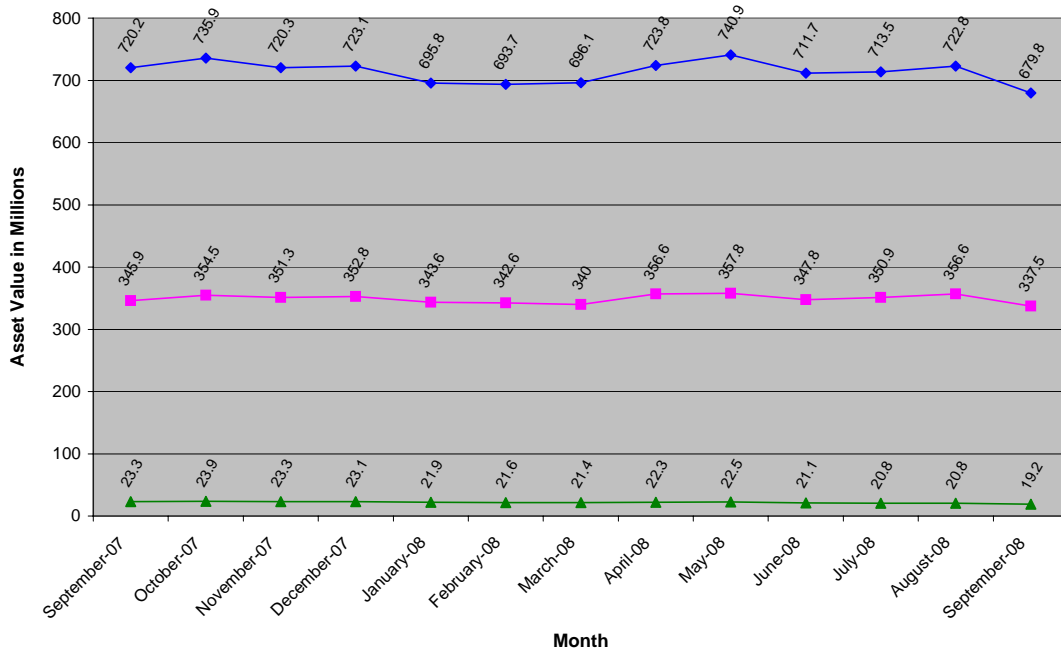
Anne Stausboll
Interim Chief Investment Officer

Supplemental Income Plans
Number of Participants
September 2007 through September 2008

Attachment 1



Plan Assets
September 2007 through September 2008



—◆— CalPERS 457, City of Anaheim 457 and Placer County 401k Plans
—■— State POFF Plan
—▲— Supplemental Contributions Plan

CalPERS 457 Plan
Total Number of Agencies
September 2007 through September 2008

Attachment 2

